

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 L-02 H-01 AID-05 CIAE-00 COME-00

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5791

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EO 11652 NA

TAGS EFIN CA

SUBJ FEDERAL RESERVE PROPOSALS ON BANKING REGULATIONS

REFS STATE 35382; STATE A-9082

1. EMBASSY PROVIDED COPIES OF MATERIAL CONTAINED REFAIR TO GOC FINANCE AND BANK OF CANADA OFFICIALS AND SOLICITED THEIR VIEWS ON FEDERAL RESERVE BILL "FOREIGN BANK ACT OF 1974".

2. FOLLOWING IS TEXT OF LETTER RECEIVED FROM MR. C.L.READ, INSPECTOR GENERAL OF BANKS, DEPT. OF FINANCE, ON PROPOSED LEGISLATION:

BEGIN QUOTE

WE HAVE BEEN FOLLOWING WITH INTEREST DEVELOPMENTS IN CONNECTION WITH THIS PROPOSED LEGISLATION AND HAVE FELT, PARTICULARLY IN VIEW OF THE FACT THAT CANADIAN BANKS WERE IN A POSITION TO COMMENT DIRECTLY TO THE FEDERAL RESERVE AND THROUGH A COMMITTEE OF FOREIGN BANKS IN NEW YORK, THAT THIS DEPARTMENT HAD NO SPECIFIC COMMENTS TO MAKE.

WHILE FULLY APPRECIATING THAT THE LEGISLATION AIMS AT PROVIDING FOREIGN BANKS WITH THE SAME OPPORTUNITIES TO CONDUCT ACTIVITIES AS ARE AVAILABLE TO DOMESTIC

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BANKING IN THE UNITED STATES AND SUBJECTING

THEM TO THE SAME RULES, I SHOULD PROBABLY SAY THAT IN PART BECAUSE OF THEIR PROXIMITY AND THE DIFFERENCE IN THE NATURE AND RELATIVE SIZE OF THE BANKING SYSTEMS IN OUR TWO COUNTRIES WE ARE NOT ABLE TO CONTEMPLATE THE APPLICATION OF A SIMILAR POLICY IN CANADA. AS YOU KNOW, OUR BANKING LEGISLATION, UNLIKE THAT IN THE UNITED STATES, PERMITS BANKS TO OPERATE THROUGHOUT THE COUNTRY WITHOUT LIMITATION ON THE NUMBER OF BRANCHES.

YOU HAVE ASKED PARTICULARLY CONCERNING THE SECTION DEALING WITH THE REQUIREMENT FOR FEDERAL RESERVE MEMBERSHIP. I AM NOT FAMILIAR WITH ALL THE PROVISIONS OF THE FEDERAL RESERVE ACT WHICH MIGHT BE INVOLVED BUT UNDERSTAND THAT THE APPLICATION OF FEDERAL RESERVE JURISDICTION WOULD BE IN RESPECT OF AND THROUGH AFFILIATES ESTABLISHED BY FOREIGN BANKS IN THE UNITED STATES.

I SHOULD ADD THAT IN GENERAL WE ARE PLEASED THAT IN ESSENCE THE GRANDFATHERING PROVISIONS OF THE LEGISLATION WILL ENABLE A FOREIGN BANK TO RETAIN ITS OPERATIONS IN THE STATES IN WHICH IT IS LOCATED AND TO EXPAND WITHIN THOSE STATES IN ACCORDANCE WITH STATE LAW. END QUOTE.

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## Message Attributes

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